

PERAC AUDIT REPORT



West Springfield Contributory
Retirement System



JAN. 1, 2005 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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March 13, 2009

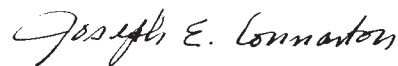
The Public Employee Retirement Administration Commission has completed an examination of the West Springfield Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant audit findings to report.

We commend the West Springfield Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Robert Madison who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$3,817,564	\$4,015,319	\$3,183,363
Fixed Income Securities	19,731,028	20,019,532	19,410,874
Equities	33,545,380	37,021,589	33,737,137
PRIT Cash Fund	0	0	0
PRIT Core Fund	9,882,766	0	0
Interest Due and Accrued	207,367	217,564	205,625
Accounts Receivable	1,223,402	1,174,766	0
Accounts Payable	(80,328)	(91,685)	(82,250)
Total	<u>\$68,327,179</u>	<u>\$62,357,085</u>	<u>\$56,454,749</u>
Fund Balances:			
Annuity Savings Fund	\$19,254,116	\$17,955,003	\$16,857,262
Annuity Reserve Fund	4,826,669	4,775,588	4,732,354
Pension Fund	5,088,279	5,331,355	4,414,448
Military Service Fund	3,030	4,616	8,098
Expense Fund	0	0	0
Pension Reserve Fund	39,155,084	34,290,523	30,442,587
Total	<u>\$68,327,179</u>	<u>\$62,357,085</u>	<u>\$56,454,749</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$15,675,527	\$4,952,076	\$5,380,420	\$8,098	\$0	\$27,370,432	\$53,386,553
Receipts	1,723,784	143,785	3,854,971	0	478,279	3,068,980	9,269,799
Interfund Transfers	(331,271)	328,096	0	0	0	3,175	0
Disbursements	(210,778)	(691,603)	(4,820,943)	0	(478,279)	0	(6,201,603)
Ending Balance (2005)	16,857,262	4,732,354	4,414,448	8,098	0	30,442,587	56,454,749
Receipts	1,926,269	139,169	5,854,921	28	518,156	3,935,560	12,374,102
Interfund Transfers	(491,944)	583,077	0	(3,510)	0	(87,623)	0
Disbursements	(336,585)	(679,018)	(4,938,014)	0	(518,156)	0	(6,471,772)
Ending Balance (2006)	17,955,003	4,775,588	5,331,355	4,616	0	34,290,523	62,357,085
Receipts	2,146,191	142,841	4,904,586	18	538,330	4,864,407	12,596,373
Interfund Transfers	(635,061)	636,664	0	(1,603)	0	0	0
Disbursements	(211,863)	(728,424)	(5,147,662)	0	(538,330)	0	(6,626,280)
Ending Balance (2007)	<u>\$19,254,116</u>	<u>\$4,826,669</u>	<u>\$5,088,279</u>	<u>\$3,030</u>	<u>\$0</u>	<u>\$39,155,084</u>	<u>\$68,327,179</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$1,839,334	\$1,708,209	\$1,592,542
Transfers from Other Systems	175,665	87,756	86,173
Member Make Up Payments and Re-deposits	26,839	31,835	45,069
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	104,353	98,468	0
Sub Total	<u>2,146,191</u>	<u>1,926,269</u>	<u>1,723,784</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>142,841</u>	<u>139,169</u>	<u>143,785</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	85,851	86,403	93,445
	216,216	270,072	610,177
Pension Fund Appropriation	<u>4,602,519</u>	<u>5,498,446</u>	<u>3,151,350</u>
Sub Total	<u>4,904,586</u>	<u>5,854,921</u>	<u>3,854,971</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>18</u>	<u>28</u>	<u>0</u>
Sub Total	<u>18</u>	<u>28</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>538,330</u>	<u>518,156</u>	<u>478,279</u>
Sub Total	<u>538,330</u>	<u>518,156</u>	<u>478,279</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	54,322	49,486	39,900
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	2,705	1,460	3,312
Miscellaneous Income	812	18	72,048
Excess Investment Income	<u>4,806,569</u>	<u>3,884,597</u>	<u>2,953,721</u>
Sub Total	<u>4,864,407</u>	<u>3,935,560</u>	<u>3,068,980</u>
Total Receipts	<u>\$12,596,373</u>	<u>\$12,374,102</u>	<u>\$9,269,799</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$158,445	\$253,713	\$167,541
Transfers to Other Systems	53,419	82,872	43,237
Sub Total	<u>211,863</u>	<u>336,585</u>	<u>210,778</u>
Annuity Reserve Fund:			
Annuities Paid	709,533	670,610	654,136
Option B Refunds	18,892	8,408	37,467
Sub Total	<u>728,424</u>	<u>679,018</u>	<u>691,603</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	3,328,754	3,194,301	3,109,894
Survivorship Payments	284,706	236,690	235,000
Ordinary Disability Payments	66,428	76,381	87,811
Accidental Disability Payments	1,025,683	989,706	987,607
Accidental Death Payments	284,969	290,944	251,471
Section 101 Benefits	42,675	38,997	37,861
3 (8) (c) Reimbursements to Other Systems	114,447	110,994	111,298
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>5,147,662</u>	<u>4,938,014</u>	<u>4,820,943</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	12,000	12,000	12,000
Salaries	99,854	95,342	89,732
Legal Expenses	6,700	3,055	109
Medical Expenses	0	0	0
Travel Expenses	2,069	1,877	1,535
Administrative Expenses	43,583	43,612	43,768
Furniture and Equipment	0	9,734	1,269
Management Fees	283,816	282,051	266,170
Custodial Fees	49,038	38,630	35,101
Consultant Fees	20,000	20,000	20,000
Rent Expenses	300	300	300
Service Contracts	15,940	6,966	3,412
Fiduciary Insurance	5,029	4,590	4,884
Sub Total	<u>538,330</u>	<u>518,156</u>	<u>478,279</u>
Total Disbursements	<u>\$6,626,280</u>	<u>\$6,471,772</u>	<u>\$6,201,603</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	\$121,157	\$126,317	\$84,736
Short Term Investments	0	0	0
Fixed Income	1,117,864	1,067,336	1,005,281
Equities	553,316	590,700	428,382
Pooled or Mutual Funds	0	0	0
Commission Recapture	8,167	17,304	0
Total Investment Income	<u>1,800,504</u>	<u>1,801,657</u>	<u>1,518,399</u>
Plus:			
Realized Gains	2,830,538	1,876,512	1,783,303
Unrealized Gains	4,542,724	4,196,464	3,815,912
Interest Due and Accrued - Current Year	<u>207,367</u>	<u>217,564</u>	<u>205,625</u>
Sub Total	<u>7,580,629</u>	<u>6,290,541</u>	<u>5,804,840</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(62,160)	(44,948)	(69,225)
Realized Loss	(2,093,637)	(2,687,560)	(2,517,324)
Unrealized Loss	(1,415,661)	(513,647)	(994,084)
Interest Due and Accrued - Prior Year	<u>(217,564)</u>	<u>(205,625)</u>	<u>(166,821)</u>
Sub Total	<u>(3,789,022)</u>	<u>(3,451,780)</u>	<u>(3,747,453)</u>
Net Investment Income	<u>5,592,111</u>	<u>4,640,418</u>	<u>3,575,785</u>
Income Required:			
Annuity Savings Fund	104,353	98,468	0
Annuity Reserve Fund	142,841	139,169	143,785
Military Service Fund	18	28	0
Expense Fund	<u>538,330</u>	<u>518,156</u>	<u>478,279</u>
Total Income Required	<u>785,542</u>	<u>755,821</u>	<u>622,064</u>
Net Investment Income	<u>5,592,111</u>	<u>4,640,418</u>	<u>3,575,785</u>
Less: Total Income Required	<u>785,542</u>	<u>755,821</u>	<u>622,064</u>
Excess Income To The Pension Reserve Fund	<u>\$4,806,569</u>	<u>\$3,884,597</u>	<u>\$2,953,721</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$3,817,564	5.7%	100%
Fixed Income	19,731,028	29.5%	100%
Equities	33,545,380	50.1%	100%
PRIT Cash Fund	0	0.0%	100%
PRIT Core Fund	<u>9,882,766</u>	<u>14.8%</u>	100%
Grand Total	<u>\$66,976,738</u>	<u>100.0%</u>	<u>100.0%</u>

For the year ending December 31, 2007, the rate of return for the investments of the West Springfield Retirement System was 9.43%. For the five-year period ending December 31, 2007, the rate of return for the investments of the West Springfield Retirement System averaged 10.24%. For the 23-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the West Springfield Retirement System was 9.19%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The West Springfield Retirement System has not submitted any supplementary investment regulations for approval to the Public Employee Retirement Administration Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all West Springfield Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2) (a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The West Springfield Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

November 18, 2005

Confidentiality Policy Governing Access and Use of Telecommunications Equipment and Records of The Town of West Springfield Contributory Retirement Board

I. Purpose

The protection of confidential information, whether in paper or electronic form, is vital to the interests of the West Springfield Contributory Retirement Board (hereinafter referred to as Board); and, is an absolute custody rule and practice for its employees, trustees and fund custodians.

II. Scope

This policy is based on the laws of the Commonwealth of Massachusetts; and, at all times and occasions, both within the workplace and without, it is imperative that Board employees, trustees and fund custodians maintain a fine sense of propriety and an appreciation of the importance of keeping designated information confidential, even though some such information may become a matter of public record or may be reported in the media. Board employee(s), trustees and fund custodian(s) should, also be aware that as a governmental entity, the Board adheres to the Public Records Law as found in M.G.L. Chapter 66. This law provides that any person has an absolute right of access to any public record, including the right to inspect, copy or have copies of records provided upon the payment of a reasonable fee. The law defines public records broadly and narrowly construed exemptions to this definition as set forth in M.G.L. Chapter 4, section 7 (26). The Board also adheres to PERAC Regulations 840 CMR 6:00-6:14.

III. Policy

The Board keeps electronic and paper retirement files on all its members, which at all times remain the sole and exclusive property of the Board. The Board makes available to its employees(s) and other Authorized Users, for the purpose of carrying out the Board's duties and obligations, computer equipment, which may be of a stand-alone nature or may be networked, and telecommunications services such as email, Internet searching and browsing, fax machines, and telephones, which remains under the control of its Administrator. Use of these capabilities by Board employee(s) or other Authorized Users is subject to oversight and supervision, and must conform to all applicable laws and regulations, as well as all policies and procedures governing behavior. All paper records are retained in secure file cabinets in its secure office located at Municipal Office Building, 26 Central Street, West Springfield, MA. All electronic records are kept on a network server, solely devoted to the Retirement System located in server room at Municipal Office Building, 26 Central Street, West Springfield, MA. Internet service is provided through the Town of West Springfield's network with appropriate "fire walls". Board confidentiality is

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

periodically re-enforced by upgrades and stringent standard compliance accomplished by the Town's computer Director of Information Services. Nightly back ups are performed automatically on all network servers and stored in the assessors office fire proof vault located in Municipal Office Building. Monthly back ups are preformed by Retirement Director on discs, one set is placed in office in a secured file cabinet and another set is brought home and stored in a fireproof security box.

IV. Access

This policy applies to all authorized users who have statutory access and/or oversight of Board records, or others who may from time to time be authorized to use the Board's computers, electronic networks and/or telecommunications equipment, and System IT Director and staff assigned to maintain and protect Board electronic records and information.

All Authorized Users and System IT Director and staff shall execute a Confidentiality Agreement with the Board attached hereto as Appendix A. (Available upon request)

August 10, 2005

West Springfield Retirement Board Supplemental Rules & Regulations

I. Purpose:

The purpose of these Supplemental Rules & Regulations is to more clearly define membership eligibility requirements and creditable service.

2. Definitions:

Unless a different meaning is defined by statute, an advisory opinion, or 840 CMR Regulations of the Public Employee Retirement Administration Commission or by a ruling of a court of competent jurisdiction, the following definitions will apply:

2.1 "Employee"

An employee is any person hired, employed or appointed to a position within the Town of West Springfield who is regularly employed with a regular work schedule with a commensurate salary or wages.

2.2 "Full-time Employee"

A full-time employee is an employee who regularly works at least 37 ½ hours a week.

2.3 "Part-time Employee"

A part-time employee is an employee who regularly works at least 18 ¾ hours a week but less than full-time.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

2.4 "Seasonal Employee"

A seasonal employee is an employee whose work is determined by the retirement board to be seasonal in nature and works less than seven months in a calendar year.

2.5 "Provisional Status"

A provisional status will not affect whether or not a person hired, employed or appointed is considered an employee, if he or she meets the requirements of these rules and regulations.

3. Membership Requirements

3.1 All full-time employees shall become members of the retirement system on the first day of employment, as required by M.G.L. Chapter 32.

3.2 A part-time employee shall become a member of the retirement system on the first day of employment.

3.3 A part-time employee, who works less than 18 3/4 hours a week, shall be ineligible to become a member of the retirement system.

3.4 The retirement board shall review and determine whether or not membership is required for all other persons who are hired, appointed or employed and do not meet any of the requirements of section 3.1 -3.3.

3.6 Self-employed persons or "contract employees" who are hired to perform specific services for a fee shall not be considered employees, within the definition, and shall be ineligible for membership in the retirement system.

3.7 A seasonal employee who works less than five months in a calendar year will be ineligible for membership in the retirement system.

3.8 The retirement board shall determine whether or not a person working for the Town of West Springfield is an employee, as defined, and is required to become a member of the retirement system.

4. Creditable Service

4.1 All members of the retirement system, who are full-time employees, shall receive full creditable service for such time on which regular deductions have been withheld from regular compensation. Creditable will not services exceed (sic) twelve months in any calendar (sic) year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

4.2 A part-time employee shall also receive full creditable service for such time on which deductions have been withheld from regular compensation, provided that compensation and hours of work are proportional to that of a full-time employee.

4.3 Part-time employees, including school cafeteria workers and teacher's aides or any other part-time employee, whose work schedule does not include summer months shall receive full creditable service for those months on which no deductions are made if the person returns in the fall and continues on as an employee.

4.4 A part-time employee, who later becomes employed full-time, shall retain full-time creditable service earned as a part-time employee.

4.5 Auxiliary Police Officers shall be entitled to creditable service as provided in a supplemental regulation previously adopted by the retirement board and approved December 7, 1995 by the Commissioner of Public Employee Retirement Administration.

4.6 A seasonal employee who is employed at least seven months in a calendar year shall be entitled to one full year of creditable service.

6. Reporting & Notification Requirements

6.1 All persons responsible for hiring, employing or appointing a person to a position within the town must notify the retirement board, at minimum, five days before the person is put on the payroll.

6.2 A department head must, within 7 days, notify the retirement board when a part-time employee subsequently becomes employed on a full-time basis.

6.3 A department head must also notify the retirement board of any change in the employee's employment status, pay grade or address change.

6.4 The retirement board may require the town or a department head to furnish other information regarding an employee in order for the member to be properly classified.

June 1, 2004

Pursuant to G.L. c. 32, § 4(1)(c), the board shall grant one month of creditable service to a member if he/she has been on an approved, unpaid leave of absence for medical or family reasons. The board shall deny one month of creditable service to a member if he/she has been on an approved, unpaid leave of absence for disciplinary reasons.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

October 8, 2002

Non-Membership Creditable Service

A member who was employed by the Town of West Springfield, prior to becoming an active member of the West Springfield Retirement System, may be eligible to purchase credit for service rendered on at least a part-time basis even if he/she was not a member of the retirement system during that time.

The member must provide the Retirement Board with proof of employment along with a written statement indicating the periods during which he/she was employed on a part-time basis. The member must provide copies of employment records including any W-2 Forms or payroll records indicating the regular wages earned during the period of time the member is seeking to purchase. If, through no fault of the employee, no payroll or other records of the Town can be found, the member must provide a written statement from the employer or previous employer that includes the following:

- a) the period during which the member was employed (month/day/year to month/day/year);
- b) the title, position held and type of work performed by the employee;
- c) the rate of pay in effect during the period of employment including any increases in pay;
- d) the actual salary (if known) during the period of employment; or
- e) a reasonable estimate of the period of service as an employee and estimated regular wages earned during the period of time for which the member seeks creditable service.

The statement from an employer must be on the employer's letterhead and must be signed by the employer or department head. A statement from a previous employer must be signed by the person attesting to the information and must be notarized. After the Retirement Board receives the statement, the information will be reviewed to determine whether or not the member is eligible to purchase the service credit. The cost of purchasing past service will be based on what contributions the person would have paid in retirement contributions during that period (plus interest to date). In order to receive credit for non-membership service, the member must pay for the service before the effective date of retirement.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

December 7, 1995

Creditable Service The board voted to allow auxiliary police officers to get credit for up to 5 years of creditable service provided they later become appointed full time police officers.

November 26, 2002

The Board adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Sharon A. Wilcox

Appointed Member: Raymond N. Spear Term Expires: 1/1/12

Elected Member: Stephen P. Hayes Term Expires: 3/31/11

Elected Member: Gerard P. Connor, Jr. Term Expires: 12/17/11

Appointed Member: Richard S. Sullivan Term Expires: 1/1/12

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$50,000,000 Fiduciary
Elected Member:)	\$1,000,000 Fidelity
Appointed Member:)	MACRS Master Policy
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2008.

The actuarial liability for active members was	\$58,748,091
The actuarial liability for retired members was	50,463,548
The actuarial liability for inactive members was	<u>705,985</u>
The total actuarial liability was	109,917,624
System assets as of that date were	<u>68,327,179</u>
The unfunded actuarial liability was	<u>\$41,590,445</u>
The ratio of system's assets to total actuarial liability was	62.2%
As of that date the total covered employee payroll was	\$21,374,645

The normal cost for employees on that date was	8.6% of payroll
The normal cost for the employer was	4.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$68,327,179	\$109,917,624	\$41,590,445	62.2%	\$21,374,645	194.6%
1/1/2007	\$62,357,000	\$103,698,000	\$41,341,000	60.1%	\$19,771,000	423.1%
1/1/2006	\$57,540,000	\$97,854,000	\$40,314,000	58.8%	\$18,725,000	215.3%
1/1/2004	\$48,288,000	\$89,408,000	\$41,120,000	54.0%	\$17,736,000	231.8%
1/1/2002	\$44,610,000	\$79,861,000	\$35,251,000	55.9%	\$16,889,000	208.7%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	13	10	9	10	40	6	7	5	10	9
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	4	1	2	2	3	2	1	0	0
Total Retirements	14	14	10	12	42	9	9	6	10	9
Total Retirees, Beneficiaries and Survivors	366	364	364	358	386	386	382	370	385	383
Total Active Members	550	557	556	580	552	580	598	607	618	614
Pension Payments										
Superannuation	\$2,393,573	\$2,311,084	\$2,449,620	\$2,524,259	\$2,678,560	\$3,096,409	\$3,096,947	\$3,109,864	\$3,194,301	\$3,328,754
Survivor/Beneficiary Payments	119,051	107,904	129,135	145,788	184,057	200,990	214,574	235,000	236,690	284,706
Ordinary Disability	134,567	112,007	121,395	107,209	106,749	96,293	98,942	87,811	76,381	66,428
Accidental Disability	565,524	536,575	630,592	645,271	706,914	825,461	936,603	987,607	989,706	1,025,683
Other	314,195	278,904	328,900	333,705	322,204	359,713	378,968	400,660	440,935	442,091
Total Payments for Year	<u>\$3,526,910</u>	<u>\$3,346,474</u>	<u>\$3,659,642</u>	<u>\$3,756,232</u>	<u>\$3,998,484</u>	<u>\$4,578,866</u>	<u>\$4,726,034</u>	<u>\$4,820,943</u>	<u>\$4,938,014</u>	<u>\$5,147,662</u>

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac